

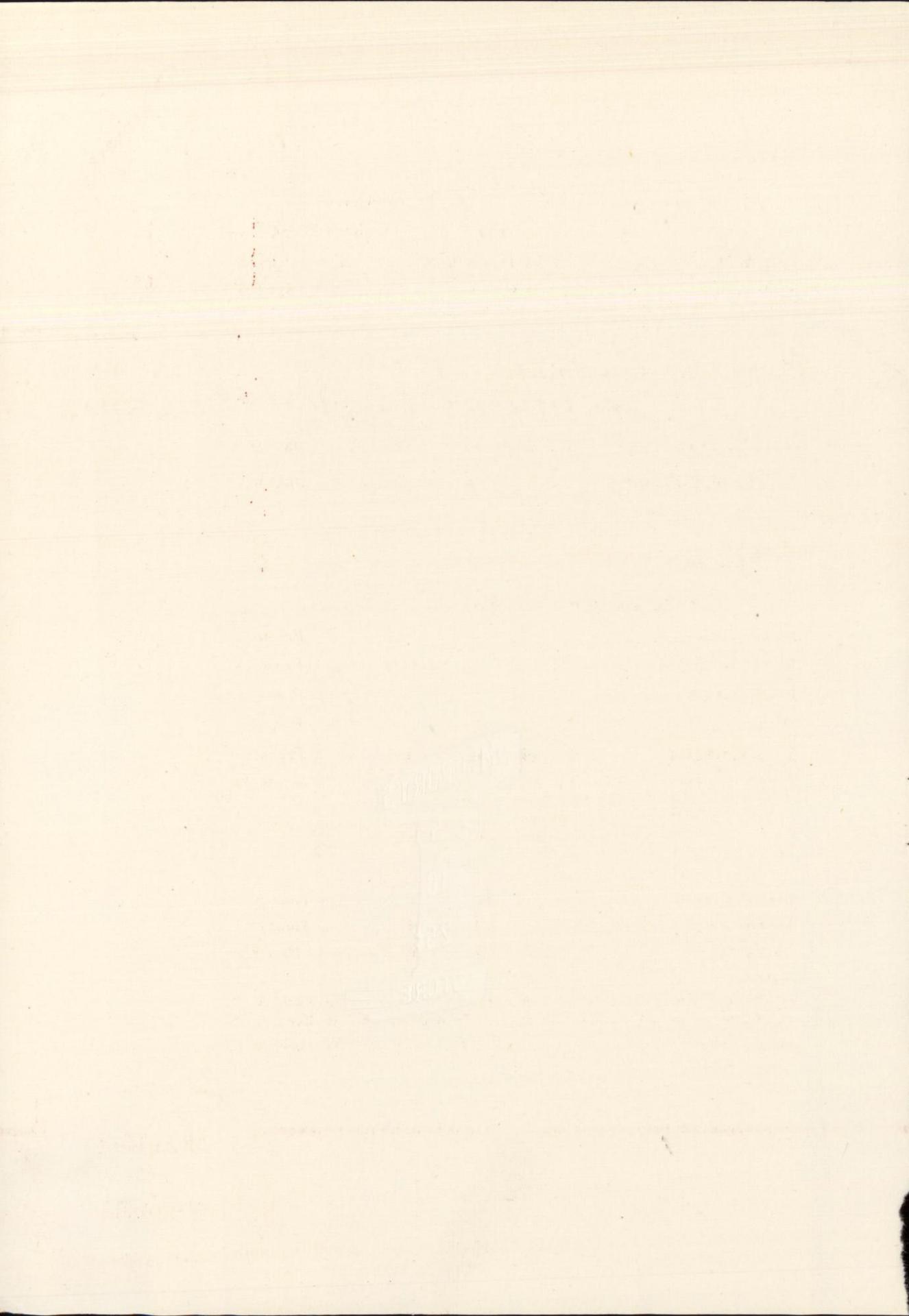
CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

McCRORY STORES CORPORATION

Annual Report

1948





Directors

RANDOLPH CATLIN	R. F. COPPEDGE	
A. J. FINK	FRANK J. HUMPHREY	N. BAXTER JACKSON
ROBERT W. JAMESON	HARRY O. LATHAM	WILLIAM L. LESS
F. W. PAUL	LEONARD SPANGENBERG	EUGENE W. STETSON

Executive Committee

ROBERT W. JAMESON, *Chairman*

R. F. COPPEDGE	A. J. FINK	FRANK J. HUMPHREY
EUGENE W. STETSON		LEONARD SPANGENBERG

Officers

R. F. COPPEDGE *Chairman of the Board of Directors*
F. W. PAUL *President*
G. C. CHAMBERS *Vice President*
R. A. VROOM *Vice President*
M. O. HILL *Vice President*
T. C. LAWRENCE *Financial Vice Pres. & Secretary-Treasurer*
H. H. BOSCH *Comptroller*

General Counsel	<i>Sullivan & Cromwell, New York, N. Y.</i>
Auditors	<i>S. D. Leidesdorf & Co., New York, N. Y.</i>
Transfer Agent	<i>Guaranty Trust Company of New York</i>
Registrar	
Common Stock	<i>Bankers Trust Company, New York, N. Y.</i>
Preferred Stock	<i>Chemical Bank & Trust Company, New York, N. Y.</i>
General Office	<i>1107 Broadway, New York, N. Y.</i>

DIRECTORS
AND
OFFICERS

February 14, 1949

TO THE STOCKHOLDERS:

There is presented herewith, on behalf of the Board of Directors, the Financial Statements of McCrory Stores Corporation for the Year 1948, together with the report of S. D. Leidesdorf & Co., Certified Public Accountants.

Sales for the Year 1948 amounted to \$97,588,160. and exceeded 1947 by \$6,362,462. or 7%. In 1948 not all stores continued to show the upward trend in sales volume that has prevailed for the past few years. In most locations additional sales volume was secured only after physical expansion of store selling space. A comparative statement of sales and the number of stores in operation for the past ten years is shown on Page 6 of this Report.

Net income for the Year 1948 amounted to \$5,488,740. as compared with \$6,302,812. for the Year 1947. After providing for Preferred Dividends, the net income was equal to \$4.63 per share of Common Stock outstanding as compared with \$5.34 per share for 1947.

During 1948 the Corporation distributed to its Common Stock shareholders a greater portion of its earnings than in any previous year. The Board of Directors, at the year-end, increased the regular quarterly dividend on the Common Stock from 35c to 50c and declared an extra dividend of 50c which brought the total dividend payments for the Year 1948 to \$2.80 per share. The balance of the year's earnings, together with an amount equal to the annual depreciation taken by the Corporation, was invested in new stores and enlargement of old stores. These substantial expenditures for store development should contribute toward maintaining earnings in the years to come.

Further progress was made on the expansion and modernization program which the Corporation has had under way since the latter part of 1946. During the year, approximately \$4,000,000. was expended

McCRORY
STORES
CORPORATION

on this construction program. Six new store units were opened in the following cities:

SYRACUSE, N. Y.	TAYLOR, TEXAS
AIKEN, S. C.	WICHITA FALLS, TEXAS
PALESTINE, TEXAS	FRONT ROYAL, VIRGINIA

The new stores at Aiken, S. C. and Wichita Falls, Texas replaced former locations that did not afford room for expansion. In addition, major alterations adding to available store selling area were completed at the following ten stores:

MIAMI, FLA.	ORANGE, N. J.
TALLAHASSEE, FLA.	BARNESBORO, PA.
CRISFIELD, MD.	BRISTOL, PA.
ST. LOUIS, MO.	PHILADELPHIA, PA.
NEWARK, N. J.	PITTSBURGH, PA.

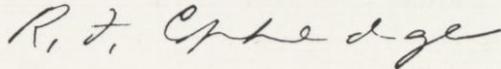
At the year-end, the Corporation deemed it advisable not to renew its present store lease at Jamaica, N. Y.

At the present time, the planned capital expenditures during 1949 will amount to approximately \$3,500,000. and will include the completion of three new stores at Kingsport, Tenn.; Lafayette, La.; and Eldorado, Ark., and the modernizing of ten store locations, which will practically complete our modernization program. In the future greater emphasis can be given to expansion by means of new store units.

The figures, graphs and pictures in the following pages illustrate the progress of the Corporation for the past ten years, which we believe will be of interest to you.

The Board of Directors wish to acknowledge that the success of the Corporation during the past year is due in great measure to the fine cooperation and genuine support of the entire McCrory organization.

BY ORDER OF THE BOARD OF DIRECTORS



R. F. COPPEDGE, *Chairman*

REPORT
TO
STOCKHOLDERS

Ten Year Comparison

SALES AND PROFITS

	<i>Number of Stores</i>	<i>Net Sales</i>	<i>Income before Federal Taxes</i>	<i>Income after Federal Income Taxes</i>	<i>Per Share of Common Stock</i>		
					<i>Income Taxes</i>	<i>Net Income</i>	<i>Dividends</i>
1948	202	\$97,588,160	\$ 8,688,740	\$5,488,740	2.81	4.63	2.80
1947	199	91,225,698	10,052,812	6,302,812	3.29	5.34	2.65
1946	199	84,509,508	10,537,776	6,537,776	3.51	5.55	2.00
1945	199	71,282,195	8,282,254	2,372,254	5.70	2.00	1.00
1944	203	71,324,436	8,182,804	2,182,804	6.06	1.90	1.00
1943	201	67,351,104	6,363,542	2,288,542	4.11	2.01	1.00
1942	202	62,613,293	6,184,753	2,184,753	4.04	1.90	1.00
1941	202	53,013,016	4,399,094	2,522,594	1.90	2.24	1.25
1940	199	46,207,993	2,911,199	2,332,511	.59	2.05	1.00
1939	200	43,193,608	2,590,201	2,231,012	.36	1.95	1.25

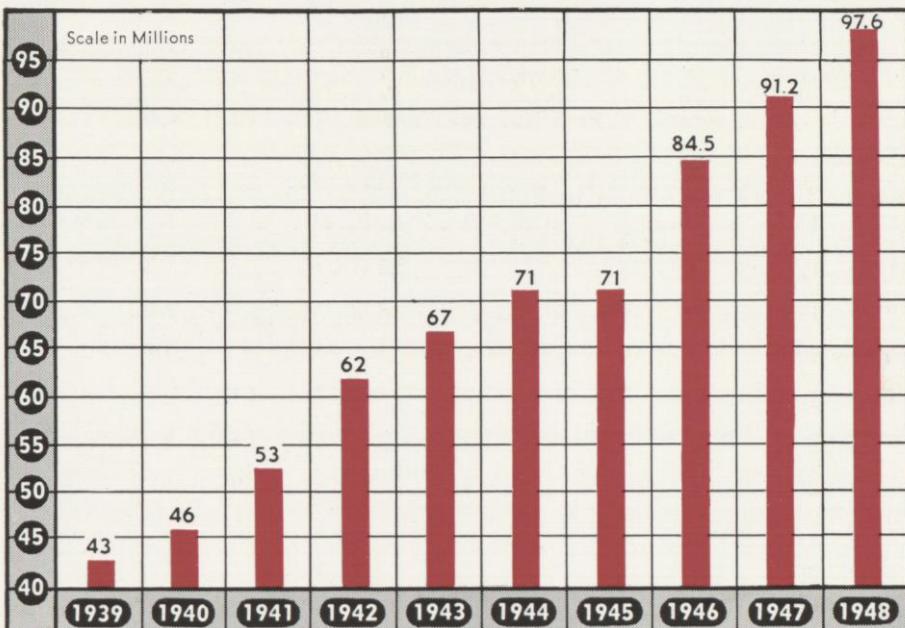
BALANCE SHEET INFORMATION

	<i>Assets</i>	<i>CURRENT Liabilities</i>	<i>Net Working Capital</i>	<i>Net Fixed Assets</i>	<i>Per Share of Common Stock</i>	
					<i>Working Capital</i>	<i>Net Worth</i>
1948	\$23,687,945	\$6,782,548	\$16,905,397	\$14,983,021	14.83	23.71
1947	27,100,690	9,098,099	18,002,591	11,809,483	15.79	21.88
1946	24,004,068	6,810,585	17,193,483	10,744,300	15.08	20.16
1945	19,516,530	7,516,974	11,999,556	10,285,770	11.57	16.48
1944	19,403,172	8,012,208	11,390,964	10,849,283	11.50	15.06
1943	18,543,282	7,858,453	10,684,829	11,293,066	10.79	14.15
1942	18,475,795	8,713,568	9,762,227	11,915,988	9.86	13.15
1941	14,521,890	5,919,016	8,602,874	12,101,263	8.69	12.05
1940	11,115,409	3,361,337	7,754,072	11,980,207	7.83	11.05
1939	10,727,349	3,515,832	7,211,517	11,473,185	7.28	10.91

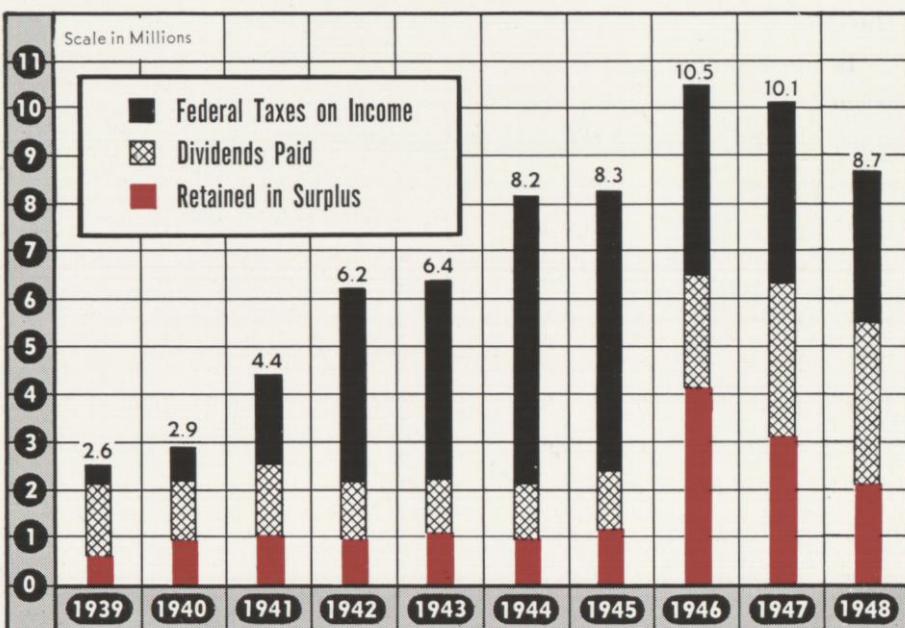
McCRORY
STORES
CORPORATION

Graphic Picture of Sales & Profits

ANNUAL SALES



DISPOSITION OF INCOME



SALES
AND
PROFITS

**TO THE BOARD OF DIRECTORS
McCRORY STORES CORPORATION
NEW YORK, N. Y.**

We have examined the balance sheet of McCrory Stores Corporation (Delaware Corporation) as at December 31, 1948 and the related statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our examination of the merchandise inventories included a general review of the inventory records, tests to determine the mathematical accuracy of the inventory schedules and physical tests of the quantities included in the warehouse inventories. We reviewed the method of store inventory taking as outlined in the inventory instructions issued by the management, and had our representatives present at certain stores, selected by us, for the purpose of satisfying ourselves that the inventory instructions were carried out effectively. At such stores, tests were made of quantities and retail prices which were checked to the merchandising records used as a basis for the retail method of inventory valuation.

In our opinion, the accompanying balance sheet and statement of income and earned surplus, together with the notes to financial statements, present fairly the financial position of McCrory Stores Corporation (Delaware Corporation) at December 31, 1948 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & CO.

Certified Public Accountants

New York, N. Y. February 14, 1949.

**ACCOUNTANTS'
REPORT**

Statement of Income and Earned Surplus

For the Year Ended December 31, 1948

SALES (merchandise, restaurant and concession)	\$97,588,160.00
Cost of goods sold and operating expenses including occupancy and general and administrative expenses	88,226,555.17
	<hr/>
	9,361,604.83
Miscellaneous income, less other deductions	73,530.72
	<hr/>
Income before depreciation, amortization and Federal income taxes	9,435,135.55
	<hr/>
Depreciation and amortization	746,395.05
	<hr/>
Income before Federal income taxes	8,688,740.50
	<hr/>
Provision for Federal income taxes	3,200,000.00
	<hr/>
NET INCOME FOR THE YEAR	5,488,740.50
	<hr/>
EARNED SURPLUS (since January 1, 1936) :	
Balance—December 31, 1947	16,091,352.77
	<hr/>
	21,580,093.27
Dividends paid on:	
Common Stock—\$2.80 per share \$ 3,192,674.80	
3½% Cumulative Convertible	
Preferred Stock	210,000.00 3,402,674.80
	<hr/>
EARNED SURPLUS—Balance December 31, 1948—Note D	\$18,177,418.47
	<hr/>

The Notes to Financial Statements are an integral part of the above statement and should be read in conjunction therewith.

McCRORY
STORES
CORPORATION

McCormick Stores

(Delaware Co.)

BALANCE SHEET as of December 31, 1936

ASSETS

CURRENT ASSETS:

Cash on hand, in banks and in transit	\$ 7,194,992.70
U. S. Government obligations—at par	5,000,000.00
Merchandise inventories at stores and warehouses—Note A	\$ 9,751,192.91
Merchandise in transit—at cost	1,627,452.84
Miscellaneous accounts receivable, less reserve	114,307.18
Total Current Assets	<u><u>23,687,945.63</u></u>

FIXED ASSETS:

Real estate, at adjusted value Dec. 31, 1936 and subsequent additions at cost	6,105,935.53
Less: Reserve for depreciation	<u>1,477,236.04</u>
Furniture and fixtures, equipment and utensils, at adjusted value July 31, 1936 and subsequent additions at cost	7,694,475.94
Less: Reserve for depreciation	<u>3,143,925.73</u>
Improvements to leased property, at ad- justed value Jan. 1, 1936 and sub- sequent additions at cost	8,714,094.35
Less: Reserve for amortization	<u>2,910,322.77</u>
Total Fixed Assets	<u><u>14,983,021.28</u></u>

DEFERRED CHARGES:

Prepaid rents, insurance, taxes, store supplies, etc.	1,142,282.78
	<u><u>\$39,813,249.69</u></u>

The Notes to Financial Statements are an integral part of the above statement and should be read in conjunction therewith.

NOTES TO FINANCIAL STATEMENTS

NOTE A—

Merchandise at Stores:

Inventories at the lower of cost or market based upon the retail method of inventory valuation	\$8,987,390.64
Inventories at cost—Restaurants	85,636.35
Merchandise at Warehouses—at cost	678,165.92

\$9,751,192.91

Cost of goods sold for the current year has been determined on the basis of inventories established as outlined above.

NOTE B—

The 3½% Cumulative Convertible Preferred Stock is redeemable at the option of the Corporation in whole or in part, at \$105.50 per share on or prior to January 1, 1950, and thereafter at successively reduced prices to January 1, 1952, after which date the redemption price will be \$104.00 per share, plus in each case accrued dividends to date of redemption, and in the event of voluntary liquidation, is entitled to receive an amount equal to the then redemption price, and in the event of involuntary liquidation, is entitled to \$100.00 per share and accrued dividends.

McCORMICK
STORES
CORPORATION

s Corporation

orporation)

December 31, 1948

LIABILITIES

CURRENT LIABILITIES:

Accounts payable—including merchandise in transit	\$ 3,052,387.78
Accrued expenses, taxes, rents, salaries, officers' and employees' bonus, etc.	3,464,872.09
Reserve for Federal taxes on income—	
Note F	\$3,265,288.60
Less: U. S. Treasury Notes	3,000,000.00
Total Current Liabilities	<u>265,288.60</u> <u>6,782,548.47</u>

CAPITAL STOCK AND SURPLUS:

Preferred Stock—Cumulative Convertible Par Value \$100.00 Per Share:	
Authorized	80,000 shares
Issued and outstanding	60,000 shares which have been designated as 3½% Series — Note B
	6,000,000.00
Common Stock—Par Value \$1.00 Per Share—Note C	
Authorized	1,400,000 shares
Issued and outstanding	1,140,241 shares
Capital Surplus	
(no change during year)—Note D	7,713,041.75
Earned Surplus (since January 1, 1936)	
—Note D	<u>18,177,418.47</u> 33,030,701.22 <u>\$39,813,249.69</u>

NOTES TO FINANCIAL STATEMENTS

NOTE C—

Of the total of 1,400,000 shares of Common Stock authorized, 150,000 shares are reserved for issuance upon conversion of the 3½% Cumulative Convertible Preferred Stock.

NOTE D—

Pursuant to certain restrictions in connection with the authorization of 3½% Cumulative Convertible Preferred Stock, Capital and Earned Surplus as at December 31, 1948 in the approximate amount of \$15,700,000 is not available for dividends on the Common Stock.

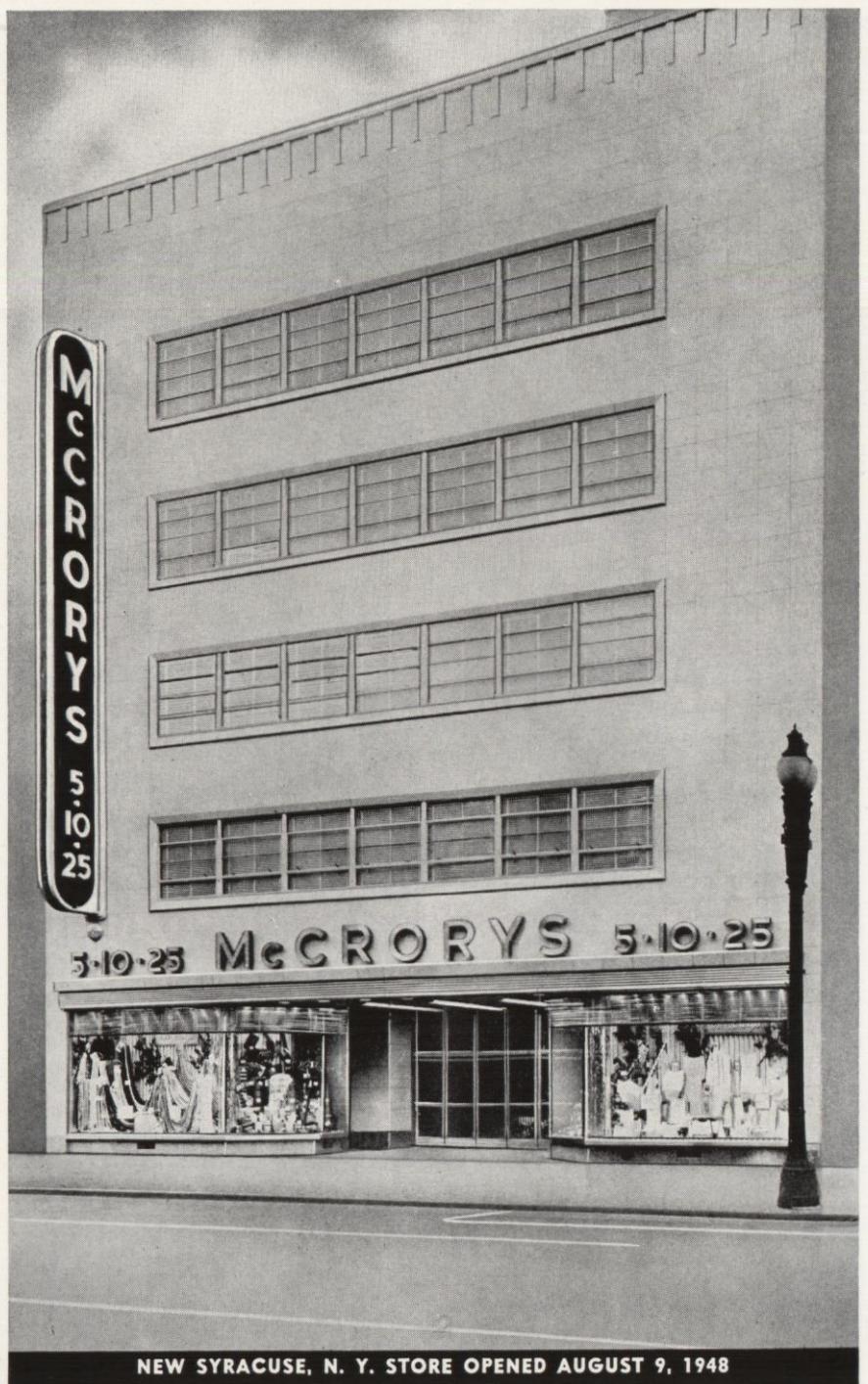
NOTE E—

During the year 1947, the Corporation liquidated all prior service costs of the Employees' Retirement Plan. In computing the 1948 provision for Federal income taxes a deduction was taken, in accordance with the present tax law, of approximately \$250,000. representing the prior service cost applicable to the year 1948.

NOTE F—

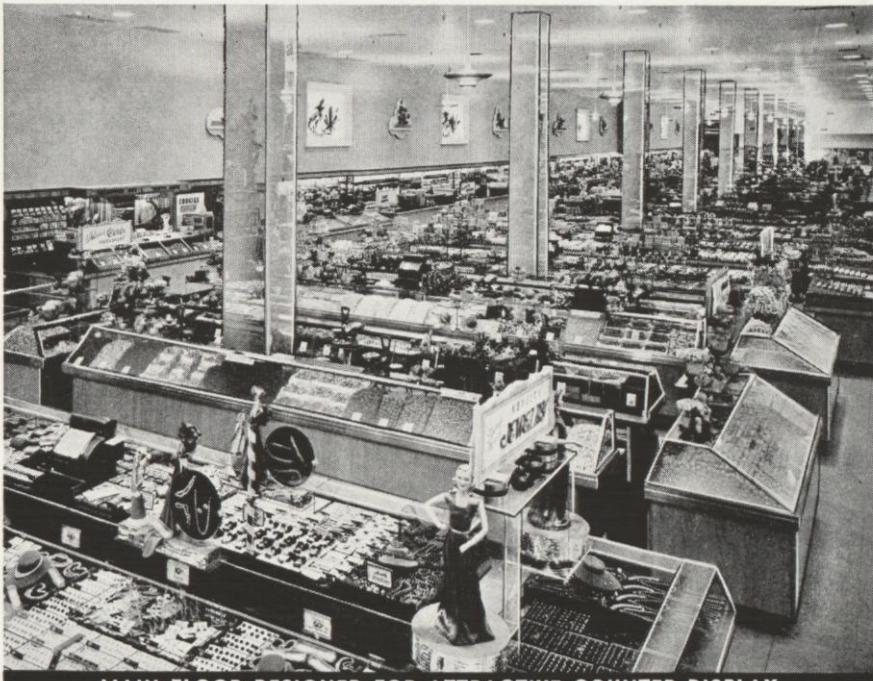
The accompanying financial statements are subject to final determination of Federal taxes on income.

1948
BALANCE
SHEET



NEW SYRACUSE, N. Y. STORE OPENED AUGUST 9, 1948

Mc CRORY
STORES
CORPORATION



MAIN FLOOR DESIGNED FOR ATTRACTIVE COUNTER DISPLAY



WIDE AISLES AND MODERN LIGHTING FOR CUSTOMER COMFORT



SYRACUSE
N. Y.
STORE



ENLARGED AND REMODELED NEWARK, N. J. STORE COMPLETED FEB. 1948

McCRORY
STORES
CORPORATION



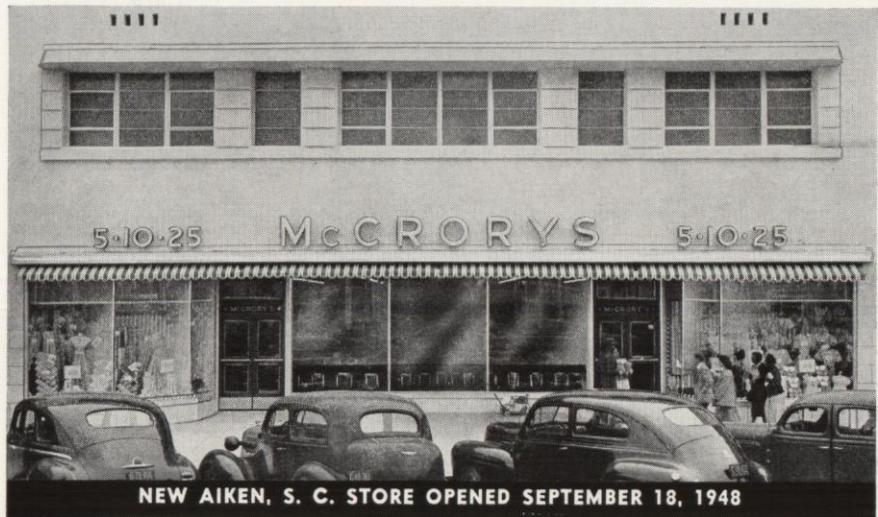
INTERIOR VIEW OF MODERNIZED STREET FLOOR AND BASEMENT



FRESHLY BAKED FROM OUR NEWLY INSTALLED ULTRA MODERN OVENS



NEWARK
N. J.
STORE



NEW AIKEN, S. C. STORE OPENED SEPTEMBER 18, 1948

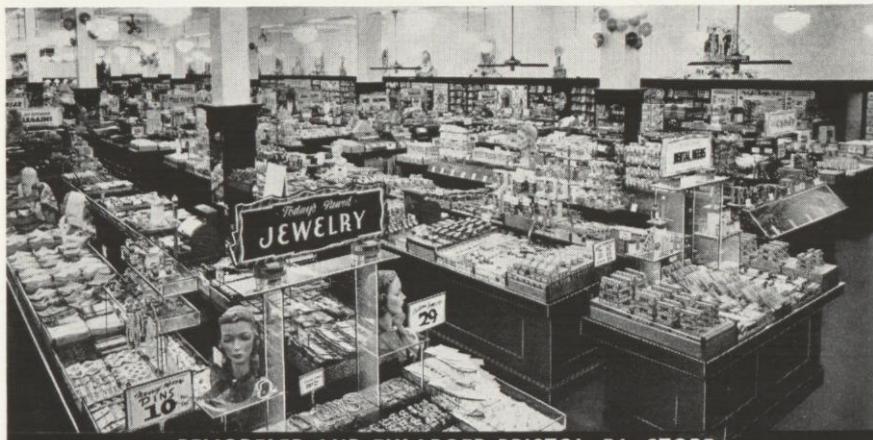


TALLAHASSEE, FLA. STORE REMODELING COMPLETED NOV. 15, 1948



NEW FRONT ROYAL, VA. STORE OPENED NOV. 27, 1948

McCRORY
STORE
EXTERIORS



REMODELED AND ENLARGED BRISTOL, PA. STORE



NEW PALESTINE, TEXAS STORE OPENED NOV. 13, 1948



WICHITA FALLS, TEXAS STORE AT NEW LOCATION ON MARCH 13, 1948

McCRORY
STORE
INTERIORS

Alabama (2)	Indiana (3)	Ohio (9)	Pa. (cont.)
Eufaula	Anderson	Canton	Somerset
Mobile	Indianapolis	Cleveland	South Fork
Arkansas (3)	Terre Haute	Dayton	Tyrone
Fort Smith		East Liverpool	Vandergrift
Jonesboro	Kentucky (1)	Hamilton	Waynesboro
†Eldorado	Louisville	Kent	Waynesburg
Connecticut (1)		Springfield	Wilkes-Barre
Danbury	Louisiana (4)	Steubenville	Windber
Delaware (1)	New Orleans	Youngstown	York
Dover	1626 Dryades St.		
Dist. of Col. (1)	1005 Canal St.		
Washington	Shreveport		
Florida (37)	†Lafayette		
Arcadia	Maryland (8)		
Bartow	Baltimore	Allentown	South Carolina (8)
Bradenton	Cambridge	Altoona	Aiken
Clearwater	Crisfield	Barneshoro	Chester
Daytona Beach	Cumberland	Bethlehem	Columbia
128 S. Beach St.	Easton	Bradford	Gaffney
814 Main St.	Frederick	Bristol	Georgetown
Deland	Hagerstown	Brookville	Greenwood
Fort Lauderdale	Salisbury	Canonsburg	Newberry
Fort Myers	Massachusetts (2)	Carlisle	Rock Hill
Fort Pierce	New Bedford	Carnegie	
Gainesville	1115 Acushnet Ave.	Chambersburg	
Homestead	1009 S. Water St.	Charleroi	
Jacksonville	Mississippi (2)	Chester	
Kissimmee	Jackson	Clearfield	
Lake City	McComb	Connellsville	
Lakeland	Missouri (1)	Cresson	
Leesburg	St. Louis	Donora	
Live Oak	New Jersey (10)	DuBois	
Melbourne	Asbury Park	Ebensburg	
Miami	Atlantic City	Emporium	
Miami Beach	Burlington	Franklin	
New Smyrna	Camden	Greensburg	
Ocala	Jersey City	Hanover	
Orlando	Newark	Homestead	
Palatka	Orange	Huntingdon	
Panama City	Passaic	Indiana	
Plant City	Perth Amboy	Johnstown	
Punta Gorda	Rahway	Kane	
Quiney	New York (7)	Lancaster	
Sanford	Brooklyn	Lebanon	
Sarasota	Johnson City	Lewistown	
St. Augustine	New York City	Monongahela	
St. Petersburg	Long Island City	Mt. Pleasant	
Tallahassee	Niagara Falls	New Brighton	
Wauchula	Syracuse	Patton	
West Palm Beach	Rego Park	Philadelphia	
Winter Haven	North Carolina (4)	1205 Market St.	
Georgia (7)	Dunn	919 Market St.	
Atlanta	Fayetteville	38 S. 52nd St.	
Bainbridge	Roanoke Rapids	Philipsburg	
Columbus	Tarboro	Pittsburgh	
Cordele		105 E. Ohio St.	
Savannah		314 Fifth Avenue	
Tifton		Portage	
Valdosta		Pottstown	
		Punxsutawney	
		Reading	
		Reynoldsville	
		Ridgway	
		Scottsdale	
		Scranton	

202
McCRORY STORES
IN
23 STATES*

*And the District of Columbia

†Stores contemplated or under Construction.

Stockrooms at New York, N. Y. and Huntingdon, Pa.

